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## **State treasurer sets stage for borrowing**



PHOENIX - State Treasurer Dean Martin said Monday that he's setting the stage for Arizona to borrow money for paychecks and other expenses because the state will run short of cash by February or March because of the growing revenue shortfall.

Martin called for prompt legislative action on several fiscal housekeeping measures to help ease the cash-flow crunch.

But he also said lawmakers must cut spending to erase the shortfall that he said puts Arizona on a path to bankruptcy in the next fiscal year if not corrected.

The state faces a projected \$1.2 billion shortfall in its \$9.9 billion current budget, but Martin said the aggregate of short-term borrowing needed to cope with the lack of cash in coming months could be several times that amount.

To prepare for borrowing, Martin said he is calling a meeting this week of a state commission to set a maximum interest rate for short-term borrowing by the state. He also said he plans to work with a major bank to arrange a line of credit for the state.

The Arizona Constitution prohibits the state from going into debt for more than \$350,000, but Martin said that prohibition only applies to long-term debt, not short-term borrowing within a fiscal year. The current fiscal year, already half over, ends June 30.

With big payments for schools due monthly through April, the state won't have enough cash without borrowing potentially as early as February but certainly by March, Martin said. "We still have to pay our bills."

Gov. Janet Napolitano, a Democrat expected to leave office later this month to join President-elect Barack Obama's Cabinet, disagrees that the state's fiscal crisis will require short-term borrowing, spokeswoman Jeanine L'Ecuyer said.

The budget proposal Napolitano plans to release late next week will include budget-balancing measures originally proposed in November when lawmakers mulled holding a December special session, L'Ecuyer said.

Those steps include borrowing against future Arizona Lottery revenue, postponing some expenses for state programs into the next fiscal year, and cuts and suspensions of some state spending, L'Ecuyer said.